



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Audit Committee

13 November 2024

Wards affected:

All Wards

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### EXTERNAL AUDIT BACKLOG - UPDATE

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#### Report of Head of Finance (Section 151 Officer)

##### 1. Purpose of report

- 1.1 To update the Audit Committee on the position in the backlog in the publication of audited accounts and the national proposals to deal with the delay.

##### 2. Recommendation

- 2.1 That the Audit Committee note the content of the report.

##### 3. Background to the report

- 3.1 As reported previously, there is a national backlog in the delivery and sign off of Audited financial statements. This has been caused by many challenges facing the local audit system, which have been highlighted by External Audit firms, the Redmond Review, the NAO, PSAA Ltd, the Local Government Association and Parliament Committee hearing. The critical factors leading to these delays can be attributed to
- shortages in specialist audit resources and finance teams across local authorities, increasing regulatory requirements,
  - specific governance or technical matters at audited bodies,
  - emerging national accounting issues for Infrastructure Assets and more recently Pension Liability valuation matters

All of these being further compounded by the impact of Covid.

- 3.2 On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts. To achieve this the backlog must be dealt with and processes put in place to avoid it reoccurring.
- 3.3 The Government's approach to clear the backlog of local audits and embed timely audit consists of two parts:
- Reset measures involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 13 December 2024.
  - Recovery period after the Reset Measures that reduces the likelihood of the backlog re-emerging by using backstop dates to allow assurance to be rebuilt over one or more audit cycles.
- 3.4 Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.
- 3.5 As set out in the in the Written Ministerial Statement published on 30 July 2024, 'Local Audit Backlog', the Reset measures could result in hundreds of disclaimed audit opinions being issued and that some may continue for several years. The overarching objective of the proposals is to clear the backlog and reduce the likelihood of it returning.
- 3.6 In summary this means that as well as 2020/21, 2021/22 and 2022/23 being disclaimed opinions with no assurance given, the following is highly likely to be the basis of opinions going forward to meet the recovery and reset Measures (Further detail is in the Appendix)

Audit Year	Opinion
<b>2023/24</b>	Disclaimer – Opening balances unaudited leads to a lack of assurance overall, and therefore there is insufficient evidence means External Audit cannot conclude that the accounts are free from material and pervasive misstatement of the financial statements
<b>2024/25</b>	Disclaimer The auditor does not have assurance over brought forward balances that were deprioritised on the 2023/24 audit. This means they do not have assurance over all in-year movements. They also do not have assurance over the comparative prior year movements.
<b>2025/26</b>	Qualified (Except for) - The auditor does not have assurance over the comparative figures. The auditor judges that this means there could be material but not pervasive misstatement and will need to qualify their opinion for 2025/26 by limiting its scope to not provide assurance over the comparative figures.
<b>2026/27</b>	Unmodified

*Note: Azets, our auditors for 2023/24 onwards will be preparing their own report on this issue*

#### **4. Exemptions in accordance with the Access to Information procedure rules**

4.1 Report is taken in an open session.

#### **5. Financial implications [IB]**

5.1 None directly from this report

#### **6. Legal implications**

6.1 On 9 September 2024, the Government laid in Parliament a Statutory Instrument, 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts.

#### **7. Corporate Plan implications**

7.1 Adoption of the proposal in this paper will contribute to the achievement of the following Corporate Aim of Empowering communities.

#### **8. Consultation**

8.1 None

#### **9. Risk implications**

9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

9.3 There is no immediate risk to the Council.

#### **10. Knowing your community – equality and rural implications**

10.1 The Financial Statements and the audit process will allow local communities and groups to review the financial performance and stewardship of the Council.

#### **11. Climate implications**

11.1 None directly from this report.

#### **12. Corporate implications**

12.1 By submitting this report, the report author has taken the following into account:

- The 3. 'The Accounts and Audit (Amendment) Regulations 2024', to introduce backstop dates by which point local bodies must publish audited accounts.

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Background papers: None  
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